



## State Health Exchange: Risks of Adverse Selection and Impacts on Women

---

Adverse selection occurs when individuals with more health needs seek out richer health coverage, while those with less needs do not, resulting in higher insurance costs for the individuals seeking care. Women are more likely to seek out health care.

### Impacts of Adverse Selection on Women

Historically, women have paid more for private health insurance than men. This is largely because women are more likely to use health services. For example, women under 50 generally incur more medical spending through their lives than men, even excluding maternity coverage.<sup>1</sup> Because of this, insurers have historically charged women more for coverage. Some states, including Colorado, have passed laws to limit the effects of adverse selection on women in the private insurance marketplace.

- Fourteen states, including Colorado, have taken steps to ban or limit gender rating in the individual market and seventeen states, including Colorado, have laws banning or limiting gender rating for group health plans.
- Nine states, including Colorado, require all insurers in the individual market to cover maternity care (implemented January, 2011). An additional three states require at least some plans in the individual market to provide maternity coverage.

### The Affordable Care Act Increases Women's Access to Health Insurance Coverage

While some states have taken steps to limit or outlaw discriminatory practices against women, only when the Patient Protection and Affordable Care Act (ACA) is fully implemented in 2014 will they end nationally.<sup>3</sup> The PPACA helps increase women's access to health care coverage and protects women's health by:

- Banning gender rating in the individual and small group market.
- Prohibiting sex discrimination in health plans that receive federal funds.
- Requiring all plans in the individual market to provide maternity care.
- Requiring new plans to include a list of preventive services such as mammograms, well-woman visits, contraception, and breast-feeding support at no additional cost.
- Banning insurance companies from denying coverage based on a pre-existing condition or dropping coverage when a woman becomes sick.
- Creating quality, affordable, state-based insurance plans, called exchanges.

### What Does this Mean for the Colorado Health Benefit Exchange and Women?

---

The Colorado Health Benefit Exchange has the potential to increase access to health care for Colorado women by expanding coverage options, improving the quality of coverage, and reducing costs. The Exchange and Medicaid expansions will create new doors for coverage to Colorado women without insurance, around 14% of women 18-64 years of age. However, adverse selection is a danger for Colorado's exchange. It is likely people (especially women) with high health care costs will use the exchanges because the exchange will offer transparent and qualified health plans. Currently, more women than men get coverage through the state and federal high risk pools (56% of Cover Colorado's enrollees are women and 54% of Getting Us Covered enrollees are women), both of which will be eliminated when the exchange begins operating in 2014. These high-risk pool users will be directed to the exchanges. Furthermore, women who have been uninsured because they could not afford to purchase coverage in the high-risk pools, or who have not sought out care because of its costs, may also seek coverage in the Exchange. The Exchange Board and state policymakers must consider these issues in designing an effective exchange.

### **What Can Colorado Health Benefit Exchange Do?**

In order to protect against adverse selection, the Colorado Exchange Board should consider:

- Planning for an exchange to draw a large enough share of healthy users to keep costs affordable in the Exchange market for all. One way the exchange could do this is to require insurers to sell all levels of plans in the exchange.
- Aligning quality protection measures for plans both inside and outside of the Exchange to ensure women get services they need.
- Requiring insurers to offer similar products inside and outside of the Exchange so that healthier individuals are not drawn to products outside.
- Ensuring marketing of the exchange draws all types of consumers so that a true risk-pool exists to help all exchange users with lower costs. For example, there could be limits on insurers marketing to young men only about plans outside of the exchange.
- Require exchange plans include a network of providers that will meet the needs of all women, including providers that serve their reproductive, mental and general health needs.
- Creating some standardized benefit requirements for plans in the exchange so users clearly understand the products they are purchasing. For example the Board could require all plans of a certain level to have the same co-payments for the same services.

#### Sources

- 1) Critical Issues in Health Reform: Gender Considerations in a Voluntary Individual Health Insurance Market, May 2009. [http://www.actuary.org/pdf/health/gender\\_may09.pdf](http://www.actuary.org/pdf/health/gender_may09.pdf)
- 2) Women's Health Insurance Coverage Fact Sheet, Kaiser Family Foundation, 2011 <http://www.kff.org/womenshealth/upload/6000-091.pdf>
- 3) General Facts on Women and Job Based Health, U.S. Department of Labor, <http://www.dol.gov/ebsa/newsroom/fshlth5.html>
- 4) Turning to Fairness: Insurance Discrimination Against Women Today and the ACA, National Women's Law Center, 2012, [http://www.nwlc.org/sites/default/files/pdfs/nwlc\\_2012\\_turningtofairness\\_report.pdf](http://www.nwlc.org/sites/default/files/pdfs/nwlc_2012_turningtofairness_report.pdf)
- 5) Cover Colorado data from personal communication with staff.
- 6) Getting Us Covered data from "Coverage of Uninsurable Pre-existing Conditions: State and Federal High Risk Pools," National Conference of State Legislatures. <http://www.ncsl.org/issues-research/health/high-risk-pools-for-health-coverage.aspx>
- 6) Colorado Health Access Survey. 2011. Denver, CO: The Colorado Trust